

***United States Court of Appeals
for the Second Circuit***



**BRIEF FOR
APPELLANT**

ORIGINAL **76-7189**

IN THE
United States Court of Appeals
FOR THE SECOND CIRCUIT

APPEAL No. 76-7189
SHATTUCK, ET AL.,

B
PS
Appellants,

v.

HOEGL, ET AL.,

Appellees.

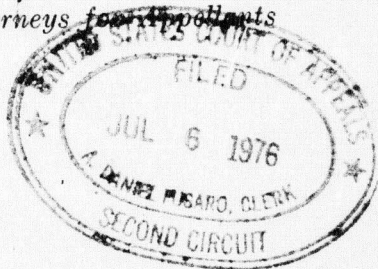
APPELLANTS' BRIEF

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APPELLANTS' BRIEF

Preliminary Statement

This is an Appeal from a Decision and Order entered on March 11, 1976 by The Honorable Harold P. Burke of the Western District of New York.*

Statement of Issues Presented for Review

I. Whether Judge Burke's Order should be reversed because he committed an error of law in denying IBM's request for aid in a special form of ancillary proceeding under 35 U.S.C. § 24 to obtain documents and information which have already been held necessary for the Patent Office to decide an issue of fraud in a presently pending

* The District Court's Decision and Order is reproduced at Joint Appendix pages 4-9.

interference, where the sole basis of the denial was IBM's alleged waiver of its right to compel discovery?

II. Whether Judge Burke's Order should be reversed because it is based on numerous findings of fact which are erroneous and contrary to the whole of the documentary evidence presented?

Statement of Facts

The Genesis of this Appeal

The Order from which this appeal is taken resulted from discovery proceedings conducted by Shattuck et al. in the Western District of New York. The District Court was exercising its ancillary jurisdiction in aid of the principal action between the parties which is an Interference, No. 98,047, now pending in the United States Patent and Trademark Office between the nominal parties, Shattuck and Vahtra on the one hand and Hoegl and Barchietto on the other. The real parties in interest are, however, International Business Machines Corporation (IBM) as assignee of Shattuck et al., Patent No. 3,484,237, granted December 16, 1969, and Xerox Corporation (Xerox) as assignee of Hoegl et al., continuation-in-part (CIP) application Serial No. 108,548, filed January 21, 1971.

The interference was commenced at the behest of Xerox on August 16, 1973 by the United States Patent and Trademark Office to determine which of the parties was the first to invent an organic photoconductive composition containing specific proportions of a chemical composition known as 2, 4, 7-trinitro-9-fluorenone (TNF) and polyvinyl carbazole (PVK). The composition is useful in some office copying machines.

On November 14, 1973 IBM filed a motion in the Patent Office under Rule 287(c) for an order requiring Xerox to:

- 1) answer interrogatories;

- 2) produce documents;
- 3) designate witnesses;
- 4) produce the alleged inventors Hoegl and Barchietto, both residents in Switzerland for oral depositions; and
- 5) produce Lell, Weigl and Karambelas (employees of Xerox) for the purpose of taking oral depositions.

The Patent and Trademark Office's decision (Exhibit A)* denied IBM's specific request, stating that Shattuck et al.'s allegation of fraud was too broad a base for an order by the Patent Office for the requested discovery. Nevertheless, Xerox was ordered to answer some interrogatories and to produce some documents relating to the work performed by certain Xerox employees. This related to the restricted issue of fraud on the Board of Patent Interferences in connection with the Hoegl et al.'s Preliminary Statement. (Exhibit A, pp. 2-3). The Patent Office went on to recognize the availability of broader discovery under 35 U.S.C. § 24 which it was powerless to grant.

"It should be further noted in connection with the Shattuck et al. [IBM] request for the production of witnesses that this Board had no authority to order or force a person to testify in an interference proceeding. Shattuck et al. can, however, call the per-

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- * 1. References to Exhibits found in "Exhibit Volume To IBM's Memorandum In Opposition To Xerox's Motion To Dismiss The Appeal" are indicated by "Exhibit" followed by the Exhibit letter.
 2. References to the Joint Appendix are indicated by "JA" followed by a page number.
 3. References to the Addendum at the end of this brief are indicated by "Addendum A," etc.

sons involved as their own witnesses which apparently is what they intend to do."

Thereupon, IBM obtained *subpoenae duces tecum* from the United States District Court for the Western District of New York directed to three Xerox employees: Dr. John Weigl, a research chemist; Anthony Karambelas, Esq. and Peter Kondo, Esq., both patent attorneys in Xerox's patent department (JA18-23).

The *subpoenae duces tecum* were identical in that each sought documents relating to certain earlier work carried out at Xerox prior to the invention date sworn to by Hoegl et al. in their Preliminary Statement (JA19-21; JA23).

Each witness was deposed and, upon advice of counsel for Xerox, each refused to answer *any* question of substance, and each refused to produce the subpoenaed documents. IBM thereupon moved for an order requiring Weigl to produce the requested documents and to testify in connection therewith. The parties had agreed that any order issued in connection with Weigl would be dispositive of any objections on the part of the other witnesses regarding their answering questions or producing documents since the legal and factual issues involved were the same as to all three witnesses.

Judge Burke, on March 26, 1974, ordered the requested document production and ordered Weigl to testify in connection with the produced documents (JA24-28). That Order was not appealed by Xerox.

It followed that, in accordance with the oral agreement, on April 5 and 24, 1974, *both* Weigl and Karambelas answered questions previously objected to and *both* witnesses produced some of the subpoenaed documents. At Weigl's deposition on April 5, 1974, Xerox identified as relevant certain other documents, and on the instruction of Xerox's counsel, Weigl refused to produce any such documents, asserting privilege (JA29). These withheld docu-

ments have since been referred to as "the Weigl documents".

On April 23, 1974, IBM served upon Xerox an "Order To Show Cause Why The Witness Weigl Should Not Be Compelled To Produce Allegedly Privileged Documents". The Order was made returnable on April 26, 1974 (JA30-47). That motion was based on a *prima facie* showing of fraud in connection with the Hoegl et al. Preliminary Statement and the Declaration filed with their continuation-in-part (CIP) application (the Xerox patent application involved in the interference).

Then, at the continuance of Weigl's deposition on April 24, 1974, counsel for Xerox handed over a list of 13 "Privileged or Work Product Documents" and stated that the documents are responsive to the subpoena to Mr. Karambelas, but that they would not be produced.* The documents on the list have since been called "the Karambelas documents".

IBM desired to avoid unnecessarily burdening the Court with additional motions as to the other subpoenaed parties, and so proceeded, as they did in the first motion, solely against Weigl. Again, the same legal and factual issues were involved with respect to the allegedly privileged documents withheld by Karambelas.** Accordingly, in a conversation shortly before the hearing of the Order To Show Cause, Mr. Karambelas agreed with Mr. Metzger and Mr.

* Note that Documents 1a and 1c listed as Weigl privileged documents (Deposition Exhibit 26, JA29) are also listed as Documents 6 and 1, respectively, in Karambelas' list of privileged documents (Deposition Exhibit 27, JA13-14).

** Mr. Karambelas himself was appearing as counsel for Xerox and Hoegl et al. until sometime subsequent to May, 1974, and counsel for IBM had an agreement with Mr. Karambelas that the Court's decision as to Weigl would also control as to Karambelas and Kondo. The existence of such an agreement is now the subject of contradictory affidavits. Counsel for IBM firmly believed there was such an agreement, and they acted in accordance with that belief.

Kadel, IBM's attorneys, to extend the prior understanding that any Court ruling as to the Weigl documents would also control the Karambelas documents.

On May 7, 1974, Judge Burke, in view of the *prima facie* evidence of fraud, ordered the production of the Weigl documents and further ordered him to testify in connection therewith, stating:

"Reference is here made to the order of this court dated March 26, 1974 compelling the witness Weigl to testify and to produce documents, including the documents now withheld, and holding in part, 'The movants are entitled to unrestricted access to sources of information bearing on the question of fraud. . . .' *It is essential that Shattuck et al. have access to the documents to be able to present the facts to the Patent Office regarding the issue of fraud.*" (JA97)*

On May 14, 1974, Xerox appealed Judge Burke's Order of May 7, 1974, and simultaneously moved in the District Court for a stay of his Order pending appeal. In seeking the stay of the Court's order, Xerox argued that its right of appeal would be effectively denied if the documents were required to be produced and testimony given with respect to them, and that no prejudice or inconvenience to IBM would result from the granting of the stay because Xerox had offered to stipulate extensions of time in the Patent Office in order to permit resolution of the issue.

On May 17, 1974, Judge Burke stayed his Order of May 7, 1974:

"Ordered that the Respondents Hoegl et al. and Shattuck et al. enter into such stipulations as may become necessary to extend the time of Shattuck et al. for taking testimony in the United States Patent Office,

* Emphasis is added throughout the brief unless otherwise stated.

in order to permit Shattuck et al. to complete their testimony-in-chief." (Addendum A)

The parties complied and on June 17, 1974, the Patent Office suspended the interference until final disposition of Xerox's appeal. (Addendum B)

On June 13, 1974, IBM moved this Court to dismiss Xerox's appeal from Judge Burke's Order of May 7, 1974 on the ground that the Order was not final and appealable under 28 U.S.C. § 1291. That motion was initially denied. However, thirteen (13) months later, on July 16, 1975, this Court dismissed Xerox's appeal for lack of appellate jurisdiction and held that the District Court had fulfilled its obligation under 35 U.S.C. § 24 by granting the discovery which made the evidence of fraud available to the Patent Office (523 F.2d 509). Although the Court did not specifically pass upon the merits of IBM's charge of fraud, Judge Timbers did make the following observation:

"IBM initially sought discovery in the Patent Office on various issues relating to the interference, including the possibility of fraud on the Patent Office in connection with Xerox's CIP application and its preliminary statement. The gravamen of IBM's charge was that Xerox attorneys were aware of relevant prior art work by members (Mammino and Salasny) of a technical group directed by Dr. John W. Weigl, an employee of Xerox, when the Xerox attorneys caused Hoegl and Barchietto to make (1) the declaration of inventorship in the CIP application in which they declared that they believed themselves to be the 'original, first and joint inventors' of the subject matter thereof, and (2) the preliminary statement in the interference in which they swore that they were the inventors of the subject matter of the interference. *If Xerox's attorneys had improperly withheld from the Patent Office evidence of the Weigl group's work, this could constitute fraud and could provide grounds*

for striking Xerox's preliminary statement. Priority of invention in that event would be awarded to IBM. . . ." 523 F.2^d at 511

In view of the Court's decision, on July 24, 1975, IBM's counsel wrote a letter to Xerox's counsel *inter alia* reiterating the terms of the prior agreement (JA152-153). On July 25, 1975, Xerox's counsel acknowledged receipt of the letter and stated: "We will postpone making any decision about the documents specified in Shattuck Exhibit 27 [Karambelas documents] until the appeal in this case has been finally dismissed or decided." Xerox did not then deny the existence of the understanding relied on by IBM (JA154).

On July 30, 1975, Xerox petitioned this Court for a rehearing *en banc*. That petition was denied September 4, 1975. On September 11, 1975, Xerox moved *inter alia*, to disallow IBM's itemized and verified bill of costs, thus further delaying the issuance of the mandate. The motion was denied and the mandate subsequently issued on October 17, 1975.

Factual Background Involving the Present Appeal

On November 6, 1975, a year and a half after Judge Burke's Order, Xerox finally produced the Weigl documents.* These provided significant additional confirmation of IBM's initial assertions of fraud.

* They were, however, produced with "Xerox Confidential" stamped on them. Xerox has asserted that it is invoking a protective order and *agreement* between the parties; but these relate to documents produced under wholly unrelated circumstances in an infringement action now pending in the Southern District of New York, *Xerox v. IBM*, Civil Action No. 70-1596 (DE). Moreover, Xerox has contended, despite Judge Burke's order granting "unrestricted access", that because of the stamp, the documents produced pursuant to his order *could not be disclosed to the Patent Office!* Indeed, Xerox demanded that the documents be transmitted with the record in the present appeal *under seal*, thus causing IBM additional delay and expense (Exhibit J).

In summary, the Weigl documents unequivocally demonstrated that:* (1) although Hoegl et al. *swore* (under penalty provided by 18 U.S.C. § 1001) in their Preliminary Statement that they were the inventors of the equal weight PVK-TNF photoconductive composition, and although they declared themselves to be the *first* and *original* inventors of that composition, contemporaneous documents written by Dr. Weigl clearly contradict such statements; (2) according to Dr. Weigl, the work of Mammino (who was assigned to Weigl's research group at Xerox), had successfully reduced the photoconductor to practice, as Shattuck et al. has contended all along; and it was Mammino's discovery, not Hoegl et al.'s, as Shattuck et al. has also contended all along; and (3) not only the Xerox attorneys, but also Hoegl et al., were well aware of the exceedingly pertinent earlier work of Weigl's group, but neither Xerox nor Hoegl et al. had informed the Patent Office of it.**

The import of all this becomes clear in the context of a competitive problem created for Xerox when IBM's Shattuck et al. patent issued late in 1969 and when, during license negotiations in early 1970, IBM informed Xerox that its soon to be announced copying machine would use one of the photoconductors described in the patent. Xerox had not filed an application based on Mammino's work to claim such a photoconductor, and the original Hoegl et al. application did not claim it. Thus, Xerox had no existing or prospective patent protection against IBM's imminent

* For the Court's information, we have included at Addendum C a detailed discussion of the way in which the Weigl documents confirm the Shattuck et al. contentions.

** As was their uncompromising duty to do. The Patent Office has mandated that people in Xerox's position must inform it of this type of earlier work. See *Ex parte Glasser*, 161 U.S.P.Q. 185, 186 (Pat. Bd. App. 1968):

"Since the common assignee has access to all pertinent information, *he must* inform the office as to *who* originated what and when."

See also *Armour and Company v. Swift & Company*, 466 F.2d 767, 779 (7th Cir. 1972).

competition. Moreover, any right Xerox might have had to a patent based on Mammino's work was now barred by the grant of IBM's British and New Zealand patents more than one year earlier (35 U.S.C. § 102(b)). So there was strong motivation for Xerox to attribute Mammino's work to Hoegl et al. and to file a continuation-in-part application for Hoegl et al. in which an attempt to claim one or more of the photoconductors disclosed in the Shattuck et al. patent might be made.

When Xerox was finally compelled to produce the Weigl documents on November 6, 1975, Mr. Kadel, counsel to IBM, promptly requested that Mr. Hone also produce the Karambelas documents, as previously agreed upon, and that a convenient date be set so that the depositions of Weigl, Karambelas and Kondo could be resumed in Rochester, New York with all the subpoenaed documents on hand (JA116-117).

On November 14, 1975, Mr. Hone replied, contending that Mr. Karambelas had not agreed to produce the documents, and that the Karambelas and Kondo depositions were terminated (JA118-119).

The record is clear, however, that the Karambelas deposition was not terminated; it was only suspended pending a resolution of Xerox's objections to the production of the allegedly privileged documents (JA110-111).^{*} These objections had, of course, been overruled in the May 7, 1974 Order directed to Weigl (JA96-98).

The record is equally clear that the Kondo deposition, which commenced on February 21, 1974, was not termi-

^{*} Indeed, Mr. Hone is on record that the deposition was merely suspended if the Court "actually does provide access to any of the documents that are in this list as Exhibit 27". Since Documents 1a and 1e of Deposition Exhibit 26 [Weigl] (JA29) correspond to Documents 6 and 1 of Deposition Exhibit 27 [Karambelas] (JA13-14) respectively, and since those two documents have now been produced, access has indeed been provided and, on that further basis, the Karambelas deposition obviously was only suspended.

nated, as shown in the concluding pages of the transcript (JA122-123). Further, Kondo is the author of at least two of the Karambelas documents sought herein (JA13-14, Documents 7 and 11).

In view of Xerox's position on the Karambelas documents, on November 26, 1975, IBM promptly filed a motion under Rule 37 to compel the production of those documents and for Karambelas and Kondo to testify in connection therewith (JA10-14).

Subsequently, Xerox's attorneys offered, by way of compromise, to produce the Karambelas documents (JA13-14), but on the conditions that undefined portions of the documents be masked and that any further deposition of Karambelas be taken in California* and be limited solely to the unmasked portions of the documents (Exhibit H).

IBM's attorney responded that Judge Burke had granted Shattuck et al. "unrestricted access to the sources of information bearing on the question of fraud", yet Xerox was seeking to restrict IBM's access and to restrict the scope of Karambelas' deposition (JA150-151). IBM suggested to Xerox, as well as the Court, that Judge Burke should view the documents at the hearing and rule on Xerox's proposed deletions (JA151, paragraph 2).** Xerox did not offer the Karambelas documents at the hearing, nor did it move for a protective order which would have enabled Judge Burke to know the contents of the documents.

On March 11, 1976, Judge Burke, *without having viewed the Karambelas documents*, and relying solely on the bare

* Where Karambelas now resides.

** In view of the overriding public interest involved in a question of fraud on the Patent Office, IBM's counsel did not and do not believe that they are at liberty to restrict the availability of evidence by private agreement; hence, IBM's proposal that Judge Burke view the documents and pass on the proposed deletions (JA151, paragraph 2).

allegations in the affidavits of Xerox's Counsel (JA129-147), denied IBM's motion under Rule 37.

On April 8, 1976, Dr. Weigl's deposition was resumed and he alone was deposed in connection with the Weigl documents. But because Judge Burke's order of March 11, 1976 denied IBM's discovery as to Karambelas and Kondo, IBM filed a notice of appeal on April 9, 1976

ARGUMENT

The Order here for review resulted from a special proceeding under 35 U.S.C. § 24. The purpose of Section 24 is to augment the evidence gathering power of the Patent Office by making available to interference parties the subpoena power of the District Courts.

In pertinent part, 35 U.S.C. § 24 provides:

"Subpoenas, witnesses

The clerk of any United States court for the district wherein testimony is to be taken for use in any contested case in the Patent Office, shall, upon the application of any party thereto, issue a subpoena for any witness residing or being within such district, commanding him to appear and testify before an officer in such district authorized to take depositions and affidavits at the time and place stated in the subpoena. The provisions of the Federal Rules of Civil Procedure relating to the attendance of witnesses and to the production of documents and things shall apply to contested cases in the Patent Office . . .

A judge of a court whose clerk issued a subpoena may enforce obedience to the process or punish disobedience as in other like cases, on proof that a witness, served with such subpoena, neglected or refused to appear or to testify . . ."

The obligation of the District Court is to make relevant evidence available for consideration of its merits by the principal tribunal, the Patent Office. *Natta v. Zletz*, 379 F.2d 615, 618 (7th Cir. 1967).

An order of a district court that denies the discovery terminates the proceeding and prevents the Patent Office from considering the evidence sought. (See IBM's Memorandum In Opposition To Xerox's Motion To Dismiss, pp. 11-14).

These characteristics distinguish a Section 24 proceeding from discovery proceedings that ordinarily arise in the main tribunal in a civil litigation.* Consequently, this Court's review in this matter should not afford the District Court as wide a latitude for the exercise of its discretion as is normally permitted in ordinary pre-trial discovery matters. This is especially so where the issue before the main tribunal involves not only the integrity of its own quasi-judicial proceeding, but the award of patent rights in which the public has a very real paramount interest over that of the private parties.**

* See *Xerox Corporation v. SCM Corporation*, — F.2d —, Slip Opinion 3251 (2d Circuit April 15, 1976). In a civil suit for antitrust violation and a declaratory judgment counterclaim involving certain patents, Xerox petitioned to obtain review of a pre-trial discovery order. This Court denied that petition because there was no jurisdictional basis under 28 U.S.C. § 1291, for an interlocutory review of the pre-trial discovery order by the court hearing the main action. This is not the situation presented by this appeal as is more fully discussed in IBM's Memorandum In Opposition To Xerox's Motion To Dismiss pages 11-16 (which motion was ordered carried with this appeal).

** The photoconductor in an office copying machine is the vital element around which the entire machine is designed. If a patent on this photoconductor is improperly awarded to Xerox because the Patent Office was prevented from considering all of the evidence, it might wrongfully increase the cost to others of continuing to compete with Xerox and, thereby, increase the cost of competitive copiers to the general public.

I. Judge Burke's holding that IBM waived its rights to the discovery is incorrect as a matter of law.

A. The Legal Principles Relative to Waiver

The basis for Judge Burke's decision here under review rests on the proposition of law, without citation to any authority, that IBM's failure to take any action "in April 1974 with respect to the documents in question together with subsequent inaction, amounts to a waiver of any right [IBM] may have had over the subpoena to obtain the documents and information" (JA7). The legal basis for Judge Burke's opinion must, therefore, rest solely upon the legal principles underlying the doctrine of waiver.

"Waiver" is defined as "*a voluntary and intentional relinquishment or abandonment of a known existing right or privilege, which, except for such waiver, would have been enjoyed.*" *Buffum v. Chase Nat. Bank of City of New York*, 192 F.2d 58, 60-61 (7th Cir. 1951), *cert. denied*, 342 U.S. 944 (1951). See *Johnson v. Zerbst*, 304 U.S. 458, 464 (1938); *Public Warehouses v. Fidelity & Deposit Co.*, 77 F.2d 831, 833 (2d Cir. 1935), *cert. denied*, 296 U.S. 633 (1935); *Car and General Insurance Corp. v. Goldstein*, 179 F. Supp. 888, 892 (S.D.N.Y. 1959), *aff'd*, 277 F. 2d 162 (2d Cir. 1960); *United States v. Gilligan*, 256 F.Supp. 244, 251 (S.D.N.Y. 1966). See also 21 N.Y. Jur. § 88 and cases cited therein.

It is axiomatic that the burden of proof that a party "waived" its right or privilege is upon the party asserting it. And to carry that burden it must be *clearly established* that the waiving party *intentionally* relinquished or abandoned the known right or privilege. *Johnson v. Zerbst*, *supra* at 464; *Brookhart v. Jarvis*, 384 U.S. 1 (1966); *United States ex rel. Negron v. State of New York*, 310 F. Supp. 1304, 1309 (E.D.N.Y. 1970), *aff'd*, 434 F.2d 386 (2d Cir. 1970).

Further, if the only proof of intention to waive "rests on what a party does or forebears to do, his act or omissions to act should be so manifestly consistent with and indicative of an intent to relinquish voluntarily a particular right that no other reasonable explanation of his conduct is possible." *Buffum, supra*, at 61.

The Courts have consistently placed a high burden of proof on the party asserting a waiver because a determination of waiver may be both unjust and damaging to the integrity of the legal process. *Every reasonable presumption is indulged against it. Aetna Ins. Co. v. Kennedy*, 301 U.S. 389, 393 (1937); *Virgin Island National Bank v. Tropical Ventures*, 358 F. Supp. 1203 (D.V.I. 1973).

The burden of proof engendered by a claim of waiver is heightened whenever the right alleged to have been waived has a direct affect on the public interest. *Brooklyn Bank v. O'Neil*, 324 U.S. 697, 704 (1945); *Wirtz v. William H. LaDew of Louisiana, Inc.*, 282 F. Supp. 742, 745 (E.D. La. 1968).

The pending interference and, perforce, IBM's Section 24 proceeding involves patent rights; their results necessarily affect the public interest,* thereby adding weight to Xerox's heavy burden of proving IBM waived its rights to obtain the Karambelas documents and information.**

B. Judge Burke's Holding As To Waiver Constitutes An Error Of Law Because IBM Did Not Have The Requisite Intent To Waive Its Rights

Nowhere in Judge Burke's opinion does he point to any affirmative evidence that IBM intentionally waived its

* See second footnote at p. 13.

** They are, after all the very same type of documents and information that Weigl had produced and which both Judge Burke and this Court have already recognized as necessary to the Patent Office's determination of whether fraud has been committed in connection with Xerox's Preliminary Statement and CIP application.

right to compel the production of the Karambelas documents and information. The record here is bare of written or oral statements or affirmative acts that would even tend to establish the requisite intent.

The only portions of Judge Burke's opinion which in any way discuss the question of intent are:

"The failure to [sic] Shattuck et al. [IBM] to take any action at that time in April 1974 with respect to the documents in question together with subsequent inaction, amounts to a waiver of any right Shattuck et al. may have had over the subpoenas to obtain the documents and information which are the subject of this motion. [JA7]

* * *

"... Shattuck et al. have waited for nearly two years before asserting noncompliance of Karambelas with the February 1974 subpoena duces tecum. [JA8]

* * *

"... The election of movants to obtain a ruling only as to the exhibit 26 documents of Weigl amounts to a waiver of any continuance of the special proceeding instituted with respect to Karambelas." [JA9]

The whole of the evidence relied upon therefore, is negative in nature; it deals simply with IBM's alleged *failure to act* or upon its *alleged election* whereby it chose to obtain less than it had a right to obtain. As discussed above, the authorities require this type of evidence to be so manifestly consistent with an intention to waive "*that no other reasonable explanation of [its] conduct is possible*", *Buffum, supra*.

There is here, however, ample evidence that IBM did not intend to waive its rights, but instead continually sought to enforce its right to obtain the documents and information here in question.

Firstly, IBM's counsel had an understanding with Xerox's counsel that the *parties* would be bound in regard to the other witnesses by what the court held in regard to the *questions of attorney/client privilege and work product* in connection with Dr. Weigl.* Although the facts concerning that understanding have been brought into question, a review of the prior dealings between the parties fully substantiates the existence of the understanding.

Initially each of the three witnesses, Weigl, Karambelas and Kondo, appeared in response to a subpoena *duces tecum*, but refused to testify and to produce *any* documents. IBM thereupon, suspended the depositions and moved with respect to Weigl to compel him to produce and to testify. On March 26, 1974, Judge Burke granted IBM's request:

"The movants are entitled to unrestricted access to sources of information bearing on the question of fraud. Weigl is not a party to the interference proceeding. He has no standing to refuse to answer questions . . . on the ground that they are irrelevant to the Interference proceeding." (JA26)

Weigl subsequently produced some documents and testified about them. Moreover, Karambelas also produced some documents and *testified despite the fact that IBM had not sought an order* directed to him. This subsequent production by and testimony of Karambelas is irrefutable evidence of the existence of the initial understanding. Moreover, it is reasonable and probable that experienced counsel would have made such an agreement, for the subpoena to each witness, a Xerox employee, defined the documents to be produced in identical terms and each was to testify about the same matter, namely his knowledge of research and development work done by certain Xerox employees prior to the invention date alleged

* See the affidavit of Clyde C. Metzger (JA156-158), one of IBM's counsel.

by Hoegl et al. in their Preliminary Statement. It was evident to experienced counsel that an order by the District Court as to any one of the three witnesses would be the law of the case, and therefore controlling as to each of the other two witnesses. See Volume 1B, Moore's Federal Practice ¶ 0.404[1] (2d Ed. 1974) pp. 402-03 and cases cited therein.

It was the existence of that understanding which lead IBM to continue in the same vein. Counsel for Xerox had expressly identified the documents to be withheld and IBM had prepared and served an Order To Show Cause to compel Weigl to produce them. Counsel for Xerox had notified counsel for IBM that Karambelas, like Weigl, would withhold some allegedly privileged and work product documents, but they were not specifically identified until April 24, 1974 when Xerox (during Weigl's deposition) formally made of record the list of Karambelas documents (Deposition Exhibit 27, JA13-14). In view of the understanding that Xerox had previously complied with, IBM saw no reason to amend the Order To Show Cause already filed or to prepare and serve another specifically to Karambelas, particularly since the matter was to be heard on April 30, 1974 just six days later.*

It should be noted, however, that it has been and still is IBM's contention that the original understanding was discussed with and reconfirmed by Karambelas prior to the April 30, 1974 hearing. Further evidence of this is the discussion of the Karambelas list of privileged documents (Deposition Exhibit 27, JA13-14) during the April 30, 1974 hearing.**

* Xerox has not yet stated whether Kondo has any additional documents to be withheld.

** Judge Burke admits this fact in his opinion, to wit: "... Shattuck et al. referred to the Exhibit 27 privileged documents during oral argument before this Court on April 30, 1974". (JA8)

Further, on July 24, 1975, after this Court dismissed Xerox's appeal (July 16 1975) of Judge Burke's Order compelling the production and continued deposition of Weigl, IBM's counsel wrote to Xerox's counsel stating:

"As you recall, when we applied to the Court for the order in connection with Dr. Weigl's allegedly privileged documents, Mr. Karambelas agreed, in a telephone conversation with Mr. Metzger and myself, that the legal issues settled by Judge Burke in connection with Dr. Weigl would obviously be applicable to the allegedly privileged documents withheld by Karambelas.

"This, of course, is the same understanding we had in connection with the first discovery order of Judge Burke dated March 26, 1974. Since the subpoenas to each witness are identical in that they are directed to exactly the same group of documents, it was understood that Judge Burke's ruling as to Dr. Weigl would be applicable to Mr. Karambelas.

"Thus, in order to avoid going to Court on the same issue with each witness, and in order to expedite the interference, you permitted both Weigl and Karambelas, when their depositions were resumed on April 5, 1974 and April 24, 1974, to respond to substantive questions and produce the subpoenaed documents, except for the allegedly privileged documents of Weigl and Karambelas listed in Shattuck et al. Exhibit 26 and 27 respectively (Karambelas deposition pg. 95-6).

"If, therefore, Judge Burke's order of May 7, 1974 is ultimately upheld, we would appreciate your confirming your willingness to voluntarily produce the documents specified in Shattuck et al Exhibit 27 when we resume the depositions of Messrs. Weigl, Karambelas, and Kondo and your willingness to voluntarily permit their testimony in connection therewith. Otherwise we would want to apply promptly to Judge

Burke for an order directed to Mr. Karambelas and Mr. Kondo, similar to that issued on May 7, 1974 with respect to Dr. Weigl." (JA 152-53)

On July 25, 1975 Xerox's counsel acknowledged receipt of the letter and stated: ". . . We will postpone making any decision about the documents specified in Shattuck Exhibit 27 [Karambelas documents] until the appeal in this case has been finally dismissed or decided." (JA154) It was not until November 14, 1975 that IBM's attorneys were first apprised that Xerox's attorneys denied the existence of the agreement and therefore refused to produce the Karambelas documents. It was this statement which prompted IBM's filing the motion on November 26, 1975 to compel the production of the Karambelas documents.

Secondly, the two year delay referred to by Judge Burke was not caused by any actions taken by IBM. It was Xerox that sought to appeal Judge Burke's order as to the Weigl documents, and it was Xerox's action that caused the suspension of the interference during the pendency of its appeal.* Moreover, after Judge Burke's order requiring production of the Weigl documents became effective on October 17, 1975 by the issuance of this Court's mandate and IBM sought the production of the Karambelas documents, Xerox attempted to divert IBM to California where Karambelas resides. To be truly ef-

* It is of particular significance that nowhere in Judge Burke's opinion nor in any papers filed or statements made by Xerox's counsel is there any mention that Xerox has been prejudiced in any way by any action by IBM. Indeed, if the interference (which was, after all, instigated by Xerox) ultimately results in a patent being granted to it, there is a decided commercial advantage in prolonging that result, for whatever right Xerox may acquire to exclude IBM from competition would run for a full 17 years from the grant of the patent. Meanwhile, mere delay affords no advantage to IBM because the 17 year life of the patent already granted to it is running, and no competitor of IBM (including Xerox) uses the particular photoconductor protected by the IBM patent.

fective against Karambelas, this would have required IBM to institute a new proceeding before a new court, in a new circuit, with all the potential delays and uncertainties inherent therein.*

Thirdly, in response to IBM's Rule 37 Motion to compel the production of the Karambelas documents, Xerox offered by way of compromise "to disclose to Shattuck et al. all of the subpoenaed information to the documents of Exhibits [sic] 27 and to permit continuation of the depositions". (Judge Burke's decision JA6). Although it is well recognized that an offer of compromise or settlement is not to be regarded as evidence or an admission of liability, Xerox's offer is relevant here because of the significance Judge Burke obviously placed upon that offer in deciding the motion. IBM had requested Xerox to produce the Karambelas documents at the argument of the Rule 37 motion so that Judge Burke might examine the documents *in camera* to determine whether they did indeed include unsubpoenaed information.** Judge Burke, nevertheless, disregarded that request and without ever examining the documents chose to accept the bare assertions in the affidavits of Xerox's counsel.*** In so doing,

* Xerox's position at that time was that Karambelas is merely a nonparty witness, which is contrary to their present position in which they hold Karambelas to be a party.

** Recall that Judge Burke had previously held that documents of the same type containing subpoenaed information were not to be withheld under a claim of privilege or work product.

*** Judge Burke's finding that the Karambelas documents contain "unsubpoenaed information" was without either the benefit of a motion by Xerox for a protective order or an explanation, even general in nature, as to what, if any, unsubpoenaed information was involved or, unbelievably, without an examination of the documents themselves. Had Xerox moved for a protective order, Rule 26 (c) would have necessitated that Xerox show "good cause" for such an order which in turn would have required Judge Burke's review of the documents. Obviously, Xerox seeks to avoid judicial knowledge of the documents at all costs.

Judge Burke has denied IBM access to the subpoenaed information that Xerox admits is in the documents.

Finally, on November 6, 1975, after only the Weigl documents were produced, IBM demanded that the 11 remaining Karambelas unproduced documents be produced in accordance with the understanding between the parties.* Xerox's refusal to abide by that understanding led immediately to the filing of IBM's Rule 37 Motion on November 27, 1975. Judge Burke's denial of that motion is the subject matter of this appeal.

In view of the above it is obvious that Judge Burke based the whole of his order on seeming, but not real, inactivity. There is no credible evidence that IBM either waived or intended to waive its discovery of information held by Karambelas. As such, Judge Burke's order must be reversed.

II. Judge Burke's order should be overturned because it contains many erroneous findings of fact.

A. The Usual "Clearly Erroneous" Rule Is Not The Standard For Setting Aside Judge Burke's Order In This Suit

It is well settled in this Circuit and elsewhere that if the record on appeal consists entirely of affidavits and documentary exhibits, this Court's review of a district court's findings of facts is not bound by the strictures of Rule 52 (a) F.R.Civ.P. See *In re Beck Industries, Inc.*, 479 F.2d 410, 412 (2d Cir. 1973), *cert. denied*, 414 U.S. 858 (1973); *Chas. D. Briddell, Inc. v. Alglobe Trading Corp.*, 194 F.2d 416, 420 (2d Cir. 1952); *Orvis v. Higgins*, 180 F.2d 537 (2d Cir. 1950), *cert. denied*, 340 U.S. 810 (1950).

* Recall that two of the thirteen Karambelas documents were also among the Weigl documents produced. See footnote, p. 5.

The reasoning underlying this established principle is fully set forth by the Ninth Circuit Court of Appeals in *Pacific Portland Cement Co. v. Food Mach. & Chem. Corp.*, 178 F. 2d 541 (9th Cir. 1949), where the Court held:

"And the question before us, in this—as in all other cases in which findings are required—is whether they are supported in the record.

"As to this, we are faced with the mandate of Rule 52(a) of the Federal Rules of Civil Procedure, which bids us not to set aside findings unless they are 'clearly erroneous.' Federal Rules of Civil Procedure, Rule 52(a). Under the interpretation which the Supreme Court, and this and other courts of appeal, have placed upon this section, the findings of a trial judge will not be disturbed if supported by substantial evidence. Full effect will always be given to the opportunity which the trial judge has, denied to us, to observe the witnesses, judge their credibility, and draw inferences from contradictions in the testimony of even the same witness. . . .

"This is the meaning of the provision that findings should not be set aside unless clearly erroneous. . . .

"In contrast, the Supreme Court has told us that, 'A finding is "clearly erroneous" when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.' *United States v. United States Gypsum Co.*, 1948, 333 U.S. 364, 395, 68 S.Ct. 523, 542, 92 L.Ed. 746.

"As a corollary to this rule, we may make our own inferences from undisputed facts or purely documentary evidence. For, to use the colorful language of the Court of Appeals for the Third Circuit, the rule does not operate 'to entrench with like finality the infer-

ences or conclusions drawn by the trial court from its fact findings.' " 178 F.2d at 548.

Judge Burke's findings of fact, therefore, are not cast in stone and this Court is "in as good a position as the district court to appraise and evaluate it [the documentary evidence]". *In re Beck Industries Inc.*, *supra*, at 412.

B. Judge Burke's Findings Of Fact Which Led To The Erroneous Denial Of IBM's Discovery

Judge Burke's Order of March 11, 1976 is based upon six categories of erroneous findings of fact which, separately and together, led him to wrongfully deny IBM's discovery of Karambelas and Kondo.

Category 1

IBM failed "to take any action at that time in April 1974 with respect to the documents in question together with subsequent inaction" (JA7)

"Shattuck et al. have *waited* for nearly two years before asserting noncompliance of Karambelas with the February 1974 subpoenaed duces tecum". (JA8)

Judge Burke's assertion that IBM failed to take action or was dilatory is patently incorrect. As discussed above, during the whole period from the institution of this interference down to the present day IBM has continuously sought to obtain all the information—documentary and testimonial—relating to its allegations of fraud. This is amply demonstrated by the following:

- 1) August 1973: Interference declared by the Patent Office.
- 2) November 14, 1973: IBM's motion in the Patent Office *inter alia* to depose certain Xerox employees on the issue of fraud.

- 3) February, 1974: In view of the Patent Office's statements in denying IBM's motion, IBM served subpoenas on a number of Xerox employees, each subpoena seeking documents and information relating to the issue of fraud.
- 4) February 19, 1974: Xerox employees refused to testify or produce documents.
- 5) March 6, 1974: IBM moves for an order to compel Weigl to produce documents and testify on the issue of fraud.
- 6) Oral agreement entered into between counsel that a decision as to Weigl would constitute law of the case as to all similarly situated witnesses.
- 7) March 26, 1974: Judge Burke orders Weigl to produce documents and testify.
- 8) April 5, 1974: Weigl testifies and produces some documents; however, he refused to produce certain documents claimed privileged and/or attorney work product.
- 9) April 23, 1974: IBM seeks the Weigl documents by Show Cause Order.
- 10) April 24, 1973: During the continued depositions of Weigl and Karambelas the Karambelas documents are formerly identified.
- 11) During the period between April 23 and April 30, 1974 counsel continue agreement that a decision as to Weigl will control as to the other witnesses.
- 12) April 30, 1974: Hearing before Judge Burke on Show Cause Order concerning Weigl; IBM mentions the Karambelas documents.
- 13) May 7, 1974: Judge Burke's Order to Weigl to produce and testify on the issue of fraud.
- 14) May 14, 1974: Xerox appeals Judge Burke's Order and seeks stay pending appeal.

- 15) May 17, 1974: Judge Burke orders stay which results in suspension of proceeding in the Patent Office on June 17, 1974 until appeal terminated.
- 16) July 16, 1975: This Court dismisses Xerox appeal.
- 17) July 24, 1975: IBM's counsel writes to Xerox's counsel reiterating the terms of the prior understanding that other witnesses will produce withheld documents.
- 18) July 25, 1975: Xerox's counsel does not deny the existence of the understanding, but simply says Xerox will make a decision as to the Karambelas documents when this Court's decision becomes final.
- 19) October 17, 1975: This Court's mandate issues.
- 20) November 4, 1975: Xerox produces *only* Weigl documents.
- 21) November 14, 1975: Xerox denies existence of understanding re production of Karambelas documents and Karambelas and Kondo depositions.
- 22) November 26, 1975: IBM moves under Rule 37.
- 23) March 9, 1976: Judge Burke denies IBM's motion.
- 24) April 9, 1976: IBM appeals.

How, in view of all of the above, can IBM be held to have failed to act or to have been dilatory, particularly where the parties had an understanding that a decision on Weigl would be binding on similarly situated witnesses and further where the interference was suspended at Xerox's behest from June 17, 1974 until October 17, 1975. Judge Burke's findings of fact relating to waiver are, therefore, clearly erroneous.

Category 2

"The election of movants to obtain a ruling only as to the Exhibit 26 documents of Weigl amounts to a waiver of any continuance of the special proceeding instituted with respect to Karambelas." (JA 9)

This finding of fact suffers greatly from an inner inconsistency because although Judge Burke designates Weigl and Karambelas as non-party witnesses, therefore, separate entities, he nonetheless finds that IBM by seeking only Weigl's documents and testimony, made an election between the two. But if the two witnesses are really separate entities, how can a proceeding against one be deemed "a voluntary relinquishment or abandonment of a known right" against the other, unless the element that somehow binds them together is that both witnesses are to testify about the issue of fraud and both will discuss common documents relating to that fraud. In that event, why wouldn't the court's prior order of May 7, 1976 directing Weigl to produce and testify, which dealt with the common issue of fraud and both common and similar documents relating thereto, have been binding as to all witnesses similarly situated?

Further Judge Burke's finding that IBM's election occurred when IBM sought "to obtain a ruling only . . . of Weigl documents" would seem to indicate that the election was made on the filing of IBM's Show Cause Order on April 23, 1974. And the necessary conclusion from that is IBM made its election before it even had received formal identification of the Karambelas documents, which did not come from Xerox until April 24, 1974.*

If the election was effective at any other time it is unspecified in the Judge's opinion. Since there was no af-

* This leads one to speculate on the possibility that since Karambelas testified after the alleged election, did his action thereby constitute a waiver of a waiver?

firmative act by IBM at any time which could be construed as "the election", the District Court has left this Court with nothing but speculation as to when, between April 24, 1974 and March 9, 1976, the alleged election occurred.

Category 3

In accordance with Xerox's offer to compromise on the Karambelas documents IBM was "merely requested to agree that such voluntary disclosure by Xerox would not amount to waiver of the attorney-client privilege or work product immunity as to *unsubpoenaed information*." (JA6)

"In an effort to compromise . . . [Xerox] offered to disclose . . . all of the *subpoenaed* information in the [Karambelas] documents . . ." (JA6)

"The Exhibit 27 [Karambelas] documents contain *unsubpoenaed information*." (JA8)

"The witnesses had no duty to produce *materials which were not called for in the Shattuck et al. subpoenae*." (JA9)

"By this motion *Shattuck et al.* is seeking *unsubpoenaed information contained in the [Karambelas] documents of deposition Exhibit 27.*" (JA 9)

Firstly, in regard to the finding concerning the reasonableness of Xerox's offer of compromise Judge Burke fails to mention IBM's response to the proposal:

"Since, as stated above, *Judge Burke has ordered that Shattuck et al. are entitled to unrestricted access to sources of information bearing on the question of fraud* so that all the facts can be presented to the Patent Office, and *since the public interest is therefore also involved*, we felt unable to agree, before even seeing the Karambelas documents, to restricting Mr. Karambelas' deposition in any manner which could pos-

sibly contravene the Court's orders previously issued in this action. It is believed that Mr. Karambelas' deposition should be continued without restriction, the same as Dr. Weigl and Mr. Kondo.

"I respectfully suggest that *the best procedure to follow would be to have the [Karambelas] documents listed in Shattuck et al. Deposition Exhibit 27 available in court at the hearing on December 22, 1975 so that the Court can rule on any deletions you propose to make in them.*" (JA151)

Since the Court had previously broken the privilege claimed for these types of documents, it would have been nonsensical for IBM to have stipulated to maintain the privilege of documents already held discoverable. The reasonableness of Xerox's proposal pales in light of IBM's response.

Secondly, the Judge's findings that the documents contained unsubpoenaed information is the most incredible of all because (a) the Judge made the finding without ever reviewing the 11 unproduced Karambelas documents; (b) Judge Burke made the finding without any representation as to what information in the subpoenaed documents Xerox considered to be unsubpoenaed or why it should be protected; and (c) Xerox's counsel had previously stated that the information in the Karambelas documents was called for by the subpoena.

The proof of Xerox's prior admission that the documents come within the scope of the subpoena is contained in the following colloquy between counsel on April 24, 1974 at Karambelas' deposition:

"Mr. Walsh:* You do admit that the subpoena called for them [documents identified in the Karambelas Deposition Exhibit 27 list, JA13-14]

* Mr. Walsh is an attorney in the employ of IBM.

Mr. Hone: That's correct.

Mr. Walsh: I want the record to show that—

Mr. Hone: That's correct.

Mr. Walsh: —that those documents are clearly within the scope of the subpoena, and the subpoena called for them, and this was a subpoena duces tecum which means 'bring with you'.

I will ask you again, did you bring these documents?

Mr. Hone: And you were served with an objection, Mr. Walsh, which excluded these documents.”*
(Addendum D)

Category 4

“The special proceedings instituted with respect to Karambelas and Kondo, both Xerox attorneys, by service of the subpoena issued in February 1974 *were completed* by the appearance and testimony of those witnesses in compliance with the subpoena.” (JA7)

“The witness Kondo appeared on February 21, 1974 and his deposition was *concluded* on that date.” (JA7)

“Karambelas . . . deposition which commenced on February 21, 1974 . . . was *completed* on April 24, 1974.” (JA7)

Judge Burke does not specify the factual basis which led him to find that Kondo's deposition was concluded, except to state that there was never any question propounded to Mr. Kondo concerning documents, nor was there a question as to his compliance with the subpoena. Judge Burke, however failed to take into consideration the fact that Mr. Kondo is identified as an author or

* The only objection raised in regard to the documents is contained in the introductory paragraph listing the documents which states they are privileged as attorney/client communications and/or attorney work product, the same grounds Xerox had asserted for withholding the Weigl documents.

recipient of at least two documents appearing on Karambelas' lists of withheld documents and that therefore his testimony concerning them would be necessary once IBM obtained the documents.

Further, at the close of the February 21, 1974 session of Mr. Kondo's deposition IBM's attorney stated:

"Mr. Walsh: I have no further questions at this time for Mr. Kando [sic]. However, *I am not terminating this deposition*, rather, *I will suspend it indefinitely* and you will remain under oath.

Mr. Hone: We do not necessarily agree that the deposition is only suspended and not terminated. We will meet that issue at the time that another further attempt to examine Mr. Kando [sic] occurs . . ." (JA121-122)

As to Mr. Karambelas' deposition, again it is difficult to examine a witness concerning documents presently withheld under a claim of privilege so that his deposition on April 24, 1974 was similarly suspended:

"Mr. Walsh: Well, I think it's perfectly obvious that we have now reached the same stage we reached after the first deposition—or maybe it was the second—I forget—the deposition taking session with Dr. Weigle [sic]. We will obviously have to have a resolution of this claim of privilege. I find it impossible to proceed with meaningful examination with the present objections being made, so once again I will have to suspend the deposition and I am afraid we will have to request the judge again to decide the issue.

Mr. Hone: Well, I don't agree the deposition is only suspended. In my view it's terminated unless the judge actually does provide access to any of the documents that are in this list as Exhibit 27.

Mr. Walsh: You can characterize it your way, I will characterize it my way. The judge will reach a

decision. That completes the record for today."
(A120-121)

Mr. Hone's statement that the deposition was "terminated unless the judge actually does provide access to any of the documents" in Karambelas' list, makes glaring Judge Burke's erroneous finding that the deposition was concluded. This is so because the two documents common to both Weigl's and Karambelas' lists of privileged documents have been produced, and, therefore, access having now been provided to some of the Karambelas documents, Mr. Karambelas must be deposed in regard to them. His deposition was, therefore, merely suspended by Mr. Hone's own condition.

Category 5

"Karambelas did not agree that this Court's ruling as to Exhibit 26 [Weigl] documents would govern Exhibit 27 [Karambelas] documents. I so find." (JA8)

The only controverted issue as to why a separate motion relating to the Karambelas documents was not filed earlier concerns a disputed agreement between Mr. Karambelas, the attorney then acting for Xerox, and Mr. Metzger and Mr. Kadel, the attorneys for IBM.

Xerox does not dispute the fact that the parties had agreed, in connection with IBM's application for Judge Burke's Order of March 26, 1974, that any ruling as to the subpoenaed documents of Dr. Weigl would be dispositive of any objection on the part of Messrs. Karambelas or Kondo regarding their answering questions or producing the subpoenaed documents.

It was, therefore, the understanding of IBM's counsel from a conversation had with Mr. Karambelas and the various events and correspondence up to November 4, 1975 that led IBM to believe there was an understanding, that

Xerox would abide by it, and that no separate proceeding need be instituted by IBM.* Even in view of IBM's affirmative evidence, which is clearly contradictory to Xerox's position and fully substantiated by IBM's affidavits, Judge Burke chose to believe Xerox whose position finds support solely in its affidavits.** Judge Burke's finding, where the preponderance of the circumstantial and documentary evidence weighs so heavily in IBM's favor, is clearly erroneous.

Category 6

"The issues concerning production of documents of Exhibit 27 [Karambelas] are not the same as those raised previously in connection with the deposition Exhibit 26 [Weigl]." (JA8)

"The objections made at the Karambelas' [sic] deposition specifically put the movants on notice that [Xerox] did not consider the issues to be the same". (JA8)

Judge Burke has previously ruled in this case, with respect to the witness Weigl, and with respect to the issue of fraud, that IBM is "... entitled to unrestricted access of sources of information bearing on the question of fraud. ...". It is essential that Shattuck et al. have access to the documents to be able to present the facts to the Patent Office regarding the issue of fraud. ...". (JA97).

In view of that ruling and in view of the fact that the present motion dealing with Karambelas' listed documents is virtually identical with the prior motion involving Weigl [*viz.* the subpoenas are identical, the scope of the subpoenas

* See the affidavits of Mr. Kadel and Mr. Metzger (JA148-158).

** See pages 16 to 22 *supra*, for a full discussion of the affirmative evidence IBM relies upon to substantiate its position that there was such an understanding.

admittedly include the Karambelas documents, the source of the documents is the same (Xerox's files), certain of the documents are common to both Weigl and Karambelas' lists and the same legal and factual issues concerning the claimed attorney/client privilege and attorney work product were asserted in both motions], how can Judge Burke find as a matter of fact that the issues presented in the present situation differ in any respect?

Further, nowhere in Judge Burke's opinion does he ever specify either *what* different issues supposedly were raised by Xerox relating to Karambelas documents or *where* in Karambelas' deposition Xerox allegedly raised them. The reason Judge Burke did not specify these matters is simply that no different issues exist. The sole basis for the Judge's findings is Mr. Hone's statement in his opposition memorandum and accompanying affidavit, which also were devoid of any citation to the record. The fact is that the issues raised were the same, and those issues were met and decided in Judge Burke's previous opinion and order of May 7, 1974. Xerox is merely attempting another turn around the course somehow to prolong the chase IBM has been engaged in since early in the interference, i.e., to ascertain all the facts pertaining to the demonstrably fraudulent and inequitable activities of Hoegl et al. and Xerox in filing the CIP application and maintaining the interference. It has been a lengthy and exhausting chase, and we believe Judge Burke tired of it just short of its proper finish. It is plain from the several erroneous findings of fact in his opinion that he ignored or overlooked material facts of record which led him to an improper application of the law of waiver and, thus, denied IBM, its right of discovery.

Conclusion

Judge Burke's Order of March 9, 1976 should be reversed because he has committed an error of law in denying IBM's request in discovering documents and information necessary for the Patent Office to decide an issue of fraud in a pending interference. His Order is based on a misapplication of the law of waiver and on numerous findings of fact which are erroneous and contrary to the evidence presented. This Court should direct the District Court to order the production of the Karambelas documents and to order the witnesses, Karambelas and Kondo, to testify in connection therewith.

Respectfully submitted,

PENNIE & EDMONDS

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ADDENDUM A

Judge Burke's Order of Stay dated May 17, 1974.

IN THE
UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NEW YORK

Patent Interference 98,047

SHATTUCK ET AL.,

Movants,

v.

HOEGL ET AL.,

Respondents.

ORDER OF STAY

Upon the motion herein of Respondents Hoegl et al. for a stay, pending appeal; and upon the annexed stipulation dated May 1974, it is hereby

ORDERED, that the discovery proceedings, required by this Court by its order entered May 8, 1974, granting Movants' motion to compel the witness Hoegl to produce documents and to answer all questions relating to such documents, be stayed, pending the final disposition of Respondents' Appeal to the United States Court of Appeals for the Second Circuit, and it is further

ORDERED that Respondents Hoegl et al. prosecute the appeal as diligently as possible and without undue delay, and it is further

ORDERED, that the Respondents Hoegl et al. and Shattuck et al. enter into such stipulations as may become necessary to extend the time of Shattuck et al. for taking testimony in the United States Patent Office, in order to permit Shattuck et al. to complete their testimony-in-chief.

Dated at Rochester, New York, this 17th day of May, 1974.

/s/ HAROLD P. BURKE
Hon. Harold P. Burke
United States District Judge

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ADDENDUM 3

**Communications from Patent and Trademark Office
mailed June 17, 1974 suspending interference.**

*All communications respecting
this case should identify it by
number and names of parties.*

Paper No.

U.S. DEPARTMENT OF COMMERCE
Patent Office

Address Only: COMMISSIONER OF PATENTS
Washington, D.C. 20231

(SEAL)

Interference No. 98,047

Shattuck et al.

v.

Hoegl et al.

MAILED

JUN 17, 1974

U.S. PATENT OFFICE

For the reasons stated therein the stipulation filed on June 14, 1974 is approved to the extent that the times set in the order of May 15, 1974 are suspended until September 14, 1974. On or before that date the parties are required to notify the Patent Interference Examiner of the progress of the Appeal No. 74-1767 in the Circuit Court of Appeals for the Second Circuit.

The desirability of resetting the suspended times will be considered at the expiration of the suspension.

FRED E. ENGELTHALER
Patent Interference Number

ADDENDUM C

The Recently Produced Weigl Documents Confirm Hoegl et al.'s and Xerox's Fraud on the Patent Office.

A. Introduction

Without an extensive discussion of the purposes of the Patent Laws and Patent Office Rules requiring sworn statements (or declarations) as to the proper inventorship on a CIP application (35 U.S.C. § 115)* and in a Preliminary Statement (Patent Office Rule 216),** suffice it to say that the requirement for such oaths is to prevent an attempt by a party, after seeing an invention patented (and even commercially used) by another, to improperly usurp that invention as its own.

IBM's assertion of fraud is not lightly made as will be apparent from the following discussion. It should be recalled that IBM's assertion was sufficiently substantiated by facts so as to permit Judge Burke, in his previous order of March 26, 1974 (JA24-28) and again on May 7, 1974 (JA96-98) to compel Xerox to produce documents and to compel certain Xerox employees to testify in connection with the allegations of these fraudulent acts. The Weigl documents enhance IBM's assertion.

* 35 U.S.C. § 115 provides that, "The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent . . ."

** Patent Office Rule 216 provides that, "The preliminary statement must state that the party made the invention set forth by each count of the interference . . ."

**B. The Weigl Documents Further Substantiate
The *Prima Facie* Fraud On The Patent Office**

The first of these allegedly privileged Weigl documents (A124, Exhibit D, Document 1)* is a Xerox inter-office memorandum, dated April 2, 1970, from Dr. Weigl to Albert Mahassel, the Xerox Patent Manager in Rochester, New York, with a copy also going to James J. Ralabate, among others, who was the principal Xerox attorney in charge of prosecuting both the Hoegl parent and the Hoegl CIP applications. This memorandum discusses the Invention Record which Joseph Mammino (who was assigned to Weigl's research group at Xerox) prepared based on his work in 1963 through mid-1964 touching upon the subject matter of the Count in interference and states, in relevant part, as follows (JA124, par. 1; Exhibit D, Document 1):

"Al, as you may recall, I called Jim Ralabate by telephone on March 11, 1970 *to alert him to the fact that a recently issued IBM patent (Shattuck et al., U.S. 3,484,237) discloses and claims an organic photoconductor composition on which we did some early work.*** In this conversation, and in a subsequent detailed discussion with yourself at Xerox Square on March 12, 1970, I pointed out that Joe Mammino and Gail Jvirblis *have ample notebook records of our con-*

* All references to Weigl documents are either to the Joint Appendix and/or Exhibit D, which refers the reader to the "Exhibit Volume to IBM's Memorandum In Opposition To Xerox's Motion To Dismiss The Appeal." The Exhibit Volume contains the more complete collection of Weigl documents.

** At his most recent deposition on April 8, 1976, Dr. Weigl testified that the issuance of the Shattuck et al. patent put him on notice of the significant commercial potential of the PVK-TNF organic photoconductive compositions disclosed therein. In fact, in March 1970, representatives of IBM informed representatives of Xerox that one of the photoconductive compositions disclosed in the Shattuck et al. patent was to be used in the IBM photocopier machines which were to be put into commercial use the following month.

cept and successful reductions to practice, dating back to 1963-4, and published a Xerox internal research report in August 1964 [Report RL64-45, dated August 15, 1964], describing this work. Our dates for both concept and reduction to practice thus antedate the Shattuck filing date (June 13, 1966) by at least two years, and we thus appear to have a basis for provoking an interference with IBM." (footnote added)

The Xerox patent department, in furtherance of a desire to provoke an interference with the recently issued Shattuck et al. patent, asked for and received from Dr. Weigl information showing that a PVK-TNF photoconductive composition had been experimented with by members of his research group *over two years prior* to the Shattuck et al. filing date.

"I [Weigl] enclose with this memo, an invention record describing this concept and a copy of pertinent pages of the 1964 internal report in which the results are tabulated (pp. 19-20) *and in which specific uses are suggested for highly sensitized PVK (pp. 36-7).* As soon as Joe returns from vacation we'll send you xerox copies of pertinent notebook pages." (JA124, para. 2; Exhibit D, Document 1)

The 1964 internal report is the Mammino-Jvirblis Report No. RL64-65, dated August 15, 1964 (Exhibit D, Document 1b).

The pertinent notebook pages included a notebook showing the results of the May 5, 1964 experiment in which legible photocopies were obtained using a photoconductive composition of equal parts by weight of PVK and TNF.

Weigl then concluded (JA124, par. 4; Exhibit D, Document 1):

"You will note that Joe's work covers the entire composition range claimed by Shattuck et al., and that

his results, like theirs, *indicate the highest photosensitivity to lie at about 1:1 mole ratio when negative charge is used.*"

The Invention Disclosure attached to the April 2, 1970 Weigl memorandum is document Number 1a (Exhibit D) on the list of privileged Weigl documents (A29). This Invention Disclosure, dated March 26, 1970, was prepared by Joseph Mammino at the request of Ralabate and submitted to Dr. Weigl. The compositions described in this Invention Record were highly sensitized PVK layers, including a PVK-TNF photoconductive composition of equal parts by weight.

The fourth page of this Invention Record (Exhibit D, Document 1) is a standard manager's comment form on which Weigl entered his conclusion that the invention described by Mammino, concerning PVK-TNF photoconductive compositions had been reduced to practice, that no further work needed to be done, that the value of the idea with regard to business implications was "high" and that the suggested priority was "high".

The third document (JA125) corresponds to document Number 1c (Exhibit D) on the list of allegedly privileged Weigl documents (JA29) and is another memorandum from Weigl to Mahassel, dated April 2, 1970. It concerns the work done by Hoegl at the Battelle Institute in Geneva, Switzerland on heavily doped PVK:

"During 1962-5, Dr. Hoegl ran a research project at BMI (G), sponsored by Xerox Corporation and co-monitored by Erik Pell and myself. Although this project *did not produce very much*, either by way of scientific understanding or by way of technical innovation, it did lead to a few Xerox patent applications (notably D/1606 on DTF, a very effective charge transfer sensitizer) and a series of reports, which you may wish to peruse some day.

"Two reports contain material which indirectly confirms and extends Joe Mammino's earlier findings on highly TNF-doped PVK:

"Comprehensive Progress Report #16 (March 1965), (p. 18, Table 5, Figs. 14 and 16) shows data on the high photosensitivity of PVK: TNF (1:1) and shows that some improvement can be obtained in dark charge retention by overcoating the photoconductor with a thin glow-discharge polymer layer.

* * *

"This work was carried out in coordination with Joe Mammino's work in my own group, and subsequent to the publication of Joe's report (RL64-45) on acceptor sensitization. Joe and Helmut Hoegl were kept in touch with each other's work, *and Hoegl's reports could, I believe, therefore be used to extend and corroborate Mammino's discovery.*" (JA125, Exhibit D, Document 1c)

Consequently, in April 1970, prior to the filing of the Hoegl et al. CIP application and prior to the filing of the Preliminary Statement, Dr. Weigl fully informed the Xerox patent department that he considered Mammino to be the inventor of highly sensitized PVK-TNF photoconductive compositions coming within the scope of the Count and that, although Hoegl's work "did not produce very much", it could *nevertheless be used to "corroborate Mammino's discovery."*

The *alleged* invention date by Hoegl et al. as set forth in their Preliminary Statement (JA62-63) was July 1964 in Geneva, immediately following Hoegl's meeting with Dr. Weigl, Mammino, and others, two months after Mammino's May 5, 1964 alleged reductions to practice of highly sensitized equal parts PVK-TNF photoconductive compositions.

By way of summary, therefore, the Weigl documents demonstrated that: (1) although Hoegl et al. *swore* in their Preliminary Statement that they were the inventors of the equal weight PVK-TNF photoconductive composition, and although they declared themselves to be the *first* and *original* inventors of that composition, contemporaneous documents written by Dr. Weigl clearly contradict such statements; (2) according to Dr. Weigl, the Mammino work was indeed successfully reduced to practice and it was Mammino's discovery, not Hoegl et al.'s and (3) not only the Xerox attorneys, but also Hoegl et al., were well aware of the exceedingly pertinent earlier art work of Weigl's group but neither Xerox nor Hoegl et al. brought this prior art to the attention of the Patent Office.

Certainly, in view of the above Xerox can be said to have violated the statutory mandate of 35 U.S.C. § 115 and Patent Office Rule 216.

Additionally Xerox, having knowledge of the earlier work by Mammino, was under an obligation to inform the Patent Office. The Patent Office itself has mandated that it be fully informed of this type of earlier work, *Ex parte Glaser*, 161 U.S.P.Q. 185, 186 (Pat. Bd. App. 1967, 1968):

"Since the common assignee has access to all pertinent information, *he must* inform the office as to *who* originated what and when."*

Xerox in failing to inform the Patent Office of Weigl's group's earlier work on the filing of the CIP oath and later on the filing of Hoegl et al.'s Preliminary Statement, therefore committed fraud on the Patent Office.

* Although Xerox here cannot be designated the "common assignee" of Hoegl et al. and Weigl's group, it was the assignee and employer of Hoegl et al. and the employer of Mammino, who would, under the terms of his employment be obligated to assign his invention to Xerox.

**C. The List Of The Karambelas Documents
Further Enhances The Fraud Established
On The Part Of Xerox And Hoegl et al.**

As discussed above, Xerox identified documents in its files admittedly in response to the subpoena relating to work done in connection with the subject matter of this interference prior to August 1, 1964 and refused to produce them on the grounds of alleged attorney-client privilege and attorney work product. That list has become known as Karambelas' document list (Deposition Exhibit 27; JA13-14) and was produced to IBM to Weigl's deposition on April 24, 1974 (JA93).*

Documents Numbers 2 and 8 on the list (JA13-14) are identified as a draft patent application and a revised draft patent application prepared by the Xerox patent department relating to the work of Dr. Weigl's group on PVK-TNF photoconductive compositions within the scope of the interference Count. These draft patent applications were prepared based on the Invention Record drawn up by Joseph Mammino on March 26, 1970 (Exhibit D, Document 1) and submitted to the Xerox patent department by Dr. Weigl, along with his comments thereon, in his memorandum of April 2, 1970 to Albert Mahassel (Exhibit D, Document 1). Neither of these draft patent applications was ever filed (JA13-14 nos. 2 and 8).

Document Number 10 (JA13-14) is a correlation between the Mammino work and Fig. 2 of the IBM Shattuck et al. patent. Document Number 11 (JA13-14) is a draft of a "Request for Interference" while document Number 12 (JA13-14) is a draft affidavit which also relates to the

* Document Numbers 1 and 6 on this list (JA13-14) were also identified on the list of privileged Weigl documents (Deposition Exhibit 26; JA29) as document Numbers 1c and 1e respectively (i.e., the Weigl memorandum on Hoegl's work on heavily doped PVK and the Weigl memorandum relating to the Mammino Invention Record), which have been discussed in detail, *supra*.

Mammino work. Document Numbers 3 and 4 (JA13-14) were prepared by Hoegl and Barchietto and relate to a meeting they had in 1972 with Karambelas, the Xerox patent attorney, at which they discussed Dr. Weigl's earlier work (Mammino's work) on PVK-TNF photoconductive compositions.

As was true of the withheld Weigl documents (Exhibit D, Documents 1, 1a, 1b and 1c), even without knowledge of the substantive contents of the documents withheld as privileged at the Karambelas deposition, the mere fact they were identifying them, establishes the following:

- (1) After learning of the Shattuck et al. patent and after being informed of the work by Dr. Weigl's group corresponding to the invention of the Shattuck patent, the Xerox patent department prepared at least two draft patent applications based on the work by Dr. Weigl's group.
- (2) The Xerox patent department prepared a comparison between the Shattuck patent and Mammino's work for Dr. Weigl and also drafted a Request for Interference and affidavit based on the same.
- (3) Hoegl and Barchietto conferred with Karambelas, their patent attorney, concerning the earlier work of Dr. Weigl's group and this conference was *prior* to the filing of their Preliminary Statement in this interference.

Regardless of why the draft patent application and the Request for Interference were never filed in the Patent Office on behalf of Dr. Weigl and/or the members of his research group, the mere fact that they were prepared, along with the other documents described in the list of withheld Karambelas documents, is conclusive evidence that the Xerox patent department felt that the work by the

members of Dr. Weigl's research group was highly relevant to the invention disclosed and claimed in the Shattuck et al. patent and covered by the present Count in interference.

There was, of course, a strong motivation to attribute the Mammino work to Hoegl et al. and not file an application in the name of Mammino. If such an application had indeed been filed at this time (i.e., around mid-1970), it would have been rejected under 35 U.S.C. § 102(b)* because of the publication of the Shattuck et al. corresponding British patent 1,122,458 on August 7, 1968 and/or the granting of the corresponding Shattuck et al. New Zealand patent 149,083 on June 13, 1967.

In the event Xerox, faced with IBM's British and New Zealand prior art references (35 U.S.C. § 102(b)) which barred Mammino from filing an application, turned to Hoegl and Barchietto's patent application with the sole purpose of benefiting from its early filing date *knowing* that it was Mammino, if anyone at Xerox, who could substantiate a claim to the type of photoconductive material in Shattuck et al.'s patent—there would be no question that Xerox committed a fraud on the Patent Office. The fraud would not merely be one in which Xerox failed in its duty of full candor to inform the Patent Office of all earlier work; the fraud would be one involving a misrepresentation of material facts committed with unquestioned *scienter* upon which the Patent Office placed full reliance to the detriment of the public interest.

In any event, Xerox had never, and still has not, brought Mammino's highly relevant earlier work to the attention of the Patent Office. In fact, Xerox is now vigorously resist-

* 35 U.S.C. § 102(b) provides that a person shall not be entitled to a patent if "the invention was patented . . . in this or a foreign country . . . more than one year prior to the date of application for patent in the United States . . ."

ing any and all efforts of IBM to do so by improperly contending that the Weigl documents are "confidential" and that IBM may not disclose them to the Patent Office (Exhibit J).

This contention by Xerox is being made in spite of the fact that, as noted earlier, when Judge Burke ordered the production of the Weigl memoranda and the Mammino Invention Record, he stated that:

"[Shattuck et al.] are 'entitled to unrestricted access to the sources of information bearing on the question of fraud' It is essential that Shattuck et al. have access to the documents to be able to present the *facts* to the Patent Office regarding the issue of fraud." (A97)

In view of what has come to light to date, IBM can well understand Xerox's desire not to have either the Weigl documents or the Karambelas documents come under close scrutiny. However, this is the very reason that IBM should be afforded the opportunity presented by this special ancillary proceeding to develop all the evidence surrounding the issue of fraud so that the Patent Office in making its determination in the interference can properly safeguard the public from patents which are so steeped in fraud.

ADDENDUM D

**Deposition of Arthur W. Karambelas taken on
April 24, 1974 (page 96).**

documents at all. There is an outstanding objection with respect to all of these matters. As a compromise we agreed with you, so we wouldn't have to go to court about this, to list these documents. We did not agree to bring them, nor was anyone ordered to bring them.

Mr. Walsh: You do admit that the subpoena called for them?

Mr. Hone: That's correct.

Mr. Walsh: I want the record to show that—

Mr. Hone: That's correct.

Mr. Walsh: —that these documents are clearly within the scope of the subpoena, and the subpoena called for them, and this was a subpoena duces tecum which means "bring with you."

DQ253 I will ask you again, did you bring these documents?

Mr. Hone: And you were served with an objection, Mr. Walsh, which excluded these documents.

DQ254 I will now ask the question, did you bring the documents?

(60027)

Due and timely service of ~~THREE~~ copies
of the within ~~BRIEF~~ is hereby
admitted this ~~67th~~ day of ~~JULY~~ 1970

.....
ATTORNEY ~~STEF~~ ~~APPELLER~~

BEST COPY AVAILABLE